

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15 USIA-15 IO-11

ACDA-10 COME-00 EB-07 LAB-04 SIL-01 /102 W

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R 081814Z MAR 76

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 8602

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY ROME

UNCLAS SECTION 01 OF 02 PARIS 06940

E.O. 11652: N/A

TAGS: PLAB, FR

SUBJECT: GOF ATTACKS UNEMPLOYMENT

1. SUMMARY: GOF MOBILIZES ITS ADMINISTRATIVE, BRAIN AND FINANCIAL RESOURCES TO COMBAT UNEMPLOYMENT SO THAT THE DISCERNIBLE ECONOMIC RECOVERY CAN TRANSLATE ITSELF INTO JOB OPENINGS. SLOW RESPONSE OF BUSINESS TO NEED TO RESUME HIRING AND POLITICAL PRESSURE FROM OPPOSITION DICTATE THIS NEW ALL- OUT EFFORT BY GOF TO REDUCE NUMBER OF JOB APPLICANTS. END SUMMARY.

2. GENERAL MOBILIZATION AGAINST UNEMPLOYMENT WAS THE PRINCIPAL DECISION OF COUNCIL OF MINISTERS MEETING OF 3 MARCH AS HEADLINED IN SEVERAL NEWSPAPERS. TONE WAS SET BY GISCARD WHO WAS REPORTED TO HAVE TOLD THE MINISTERS THAT THE "REACTIVATION OF THE ECONOMY MUST BENEFIT IN THE FIRST PLACE THOSE WHO ARE LOOKING FOR A JOB."

3. KEY FEATURE OF THIS DECISION WAS THE CREATION AT THE NATIONAL LEVEL OF AN INTERMINISTERIAL COMMITTEE FOR THE PROMOTION OF EMPLOYMENT (QUICKLY REDUCED TO UNCLASSIFIED

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CIPE) AND SIMILAR COMMITTEES AT THE DEPARTMENTAL LEVEL,

BOTH DESIGNED TO MOBILIZE AND COORDINATE THE AVAILABLE ADMINISTRATIVE, BRAIN POWER AND FINANCIAL RESOURCES TO FACILITATE AND STIMULATE THE CREATION OF NEW JOBS AND THUS RESUMPTION OF HIRING. CIPE IS BEING PROVIDED WITH SPECIAL BUDGET WITH FUNDS DRAWN FROM THE NATIONAL BUDGET AND THE FUND FOR SOCIAL AND ECONOMIC DEVELOPMENT.

4. WITH NOTABLE SPEED FOREGOING WERE FORMALIZED THROUGH A SPECIAL DECREE PUBLISHED IN THE OFFICIAL GAZETTE OF 4 MARCH WHICH QIVES CIPE'S COMPOSITION, PUT UNDER JOINT CHAIRMANSHIP OF MINISTERS OF LABOR AND FINANCE, AS FOLLOWS: FRANCOIS ESSIG, DELEGATE FOR LAND DEVELOPMENT; CLAUDE BLONDEL, SECRETARY GENERAL OF VOCATIONAL TRAINING; JEAN CEREZ, DIRECTOR OF CRAFTS; PIERRE CONSIGNY, DIRECTOR OF CONSTRUCTION AND PUBLIC WORKS; PAUL DEROCHE, BUDGET DIRECTOR; JACQUES DE LABOSIERE DE CHAMPFEU, TREASURY DIRECTOR; HUGUES DE L'ESTOILE, DIRECTOR GENERAL OF INDUSTRY; GABRIEL OHEIX, DELEGATE FOR EMPLOYMENT AND JEAN SANSON, DIRECTOR GENERAL OF CREDIT IN THE BANQUE DE FRANCE.

5. THE DEPARTMENTAL COMMITTEES WILL BE CHAIRED BY THE PREFET WHO WILL APPOINT ITS MEMBERS BY NAME AND NOT BY FUNCTION SO AS TO ASSURE PERSONAL ATTENDANCE AND NOT BY DELEGATION. THESE COMMITTEES WILL BE EXPECTED TO MEET AT LEAST ONCE A WEEK. THE GOAL OF THESE COMMITTEES WILL BE TO FOCUS ATTENTION ON THE SMALL AND MEDIUM-SIZE ENTERPRISES AND ESPECIALLY SELF-EMPLOYED ARTISANS (PLUMBERS, CARPENTERS) TO DETERMINE WHAT NEEDS TO BE DONE TO STIMULATE THE HIRING OF YOUNG WORKERS. IT IS ESTIMATED THAT IF HALF OF THE SMALL BUSINESS AND ARTISANS WERE INDUCED TO CREATE A SINGLE JOB, THE CUMULATIVE EFFECT WOULD BE TO CUT UNEMPLOYMENT IN HALF.

6. IN LINE WITH THE FOREGOING GOF DECIDED TO ALLOW COMPANIES TO PAY ON 15 DECEMBER HALF OF THE CORPORATE TAXES WHICH WOULD BECOME DUE ON 15 APRIL. THIS IS UNCLASSIFIED

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A CONTINUATION OF THE APPROACH TAKEN BY GOF ON 4 SEPT. 1975 WHEN THE RECOVERY PLAN LAUNCHED AT THE TIME POSTPONED TO 15 APRIL HALF THE CORPORATE TAXES DUE ON 15 SEPT. THIS MEANS THAT OUT OF A TOTAL OF 16.7 BILLION FRANCS WHICH COULD HAVE BEEN DUE ON 15 APRIL ONLY 12.8 BILLION WILL IN EFFECT BE COLLECTED BY THE TREASURY. THE OBVIOUS PURPOSE IS TO HELP THE CASH SITUATION OF BUSINESS TO SUSTAIN RECOVERY PACE.

7. IN ORDER TO FURTHER DRAMATIZE ITS DETERMINATION TO TACKLE UNEMPLOYMENT NOW THAT THERE IS EVIDENCE THAT THE ECONOMY IS TURNING AROUND, CHIRAC CALLED ALL PREFETS TO A MEETING ON 4 MARCH IN WHICH ORDERS WERE

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GIVEN TO THEM TO FIND OUT AND DO WHAT IT WOULD TAKE TO CREATE JOBS AND FACILITATE THE DEVELOPMENT OF NEW SMALL AND MEDIUM SIZE ENTERPRISES (PME). THE PRIORITY PLACED ON PME IS EXPLAINABLE BY THE FACT THAT LARGE COMPANIES HAVE NOT BEEN AS PROMPT AS THE PME IN LIGHTENING THEIR PAYROLL LOAD AND THROUGH THE RECESSION HAVE KEPT ON REDUNDANT PERSONNEL HOPING FOR BETTER DAYS. SIMPLE RECOVERY IS NOT ENOUGH FOR THESE COMPANIES TO LEAD TO CREATION OF NEW JOBS. THIS CAN HAPPEN ONLY IF THE RECOVERY LIFTS THE ECONOMY ABOVE ITS 1973 LEVEL WHICH IS ADMITTEDLY A TALL ORDER.

8. COMMENT: FOREGOING MEASURES WERE DICTATED BY THE FOLLOWING CONSIDERATIONS:

(A) GROWING EVIDENCE THAT BUSINESS UPTURN DOES NOT TRANSLATE IMMEDIATELY INTO INCREASED EMPLOYMENT. SEVERAL REASONS ACCOUNT FOR THIS. BUSINESS IS PICKING UP BUT HAS NOT REACHED THE POINT WHERE ENTERPRISES FEEL THE NEED TO HIRE MORE HANDS. WHERE REDUCED WORK SCHEDULES WERE IN EFFECT THE RECOVERY SIMPLY HELPS UNCLASSIFIED

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BRING THESE SCHEDULES TO NORMAL. FURTHERMORE MANAGEMENT IS NOT ENTIRELY CONFIDENT THAT THE RECOVERY IS A LONG-TERM PROPOSITION. ACCORDINGLY, THEY ARE NOT EAGER TO ASSUME THE RESPONSIBILITY OF ADDING MORE PEOPLE ON THE PAYROLL ESPECIALLY IN VIEW OF THE DIFFICULTY THEY HAVE JUST EXPERIENCED IN CARRYING OUT LAYOFFS DURING THE RECESSION. IN SUM, THE GREATER THE JOB PROTECTION PROVIDED BY THE LAWS THE SLOWER THE RE-HIRING PROCESS BECAUSE OF GREATER EMPLOYERS' RELUCTANCE TO COME UNDER THE SCOPE OF SUCH PROTECTIVE LAWS.

(B) POLITICAL PRESSURE BY THE OPPOSITION WHICH KNOWS THAT THE UNEMPLOYMENT SITUATION PROVIDES A POWERFUL ISSUE FOR CRITICISM OF GOF'S MANAGEMENT OF THE ECONOMY. THE RECENT FOURCADE-MITERRAND DEBATE WAS THE LATEST DEMONSTRATION OF THE OPPOSITION'S ABILITY TO EXPLOIT THIS ISSUE. GOF HAS CORRECTLY RECKONED THAT ECONOMIC RECOVERY AS SUCH IS NOT ENOUGH IF IT DOES NOT TRANSLATE QUICKLY INTO JOB OPENINGS.

(C) THE OPPOSITION WILL DERIDE THE APPOINTMENT OF MORE COMMITTEES AS ANOTHER EXAMPLE OF INEFFECTUAL TREATMENT OF A SERIOUS SOCIAL PROBLEM TO SAY NOTHING OF THE ALLEGATIONS THAT GOF IS NOT SYMPATHETIC WITH THE PROBLEM OF THE JOBLESS SINCE THIS SUITS "BIG CAPITAL." HOWEVER, THERE IS A GREAT DEAL TO BE SAID ABOUT THE NEED FOR COORDINATED ACTION AT THE DEPARTMENT LEVEL TO BRING TO BEAR BRAIN AND FINANCIAL RESOURCES ALREADY AVAILABLE ON THE SPECIFIC CONDITIONS EXISTING IN EACH AREA.

9. AT THE VERY MINIMUM THESE COMMITTEES AS CONSTITUTED WILL BE ABLE TO CUT CORNERS AND RED TAPE WHICH IN ITSELF IS NOT A SMALL FACTOR IN PRODUCING RESULTS IN A HIGHLY CENTRALIZED AND "DIRIGIST" ECONOMY. FURTHERMORE THE FACT THAT PREFETS WERE DECLARED PERSONALLY RESPONSIBLE FOR RESULTS IS GOOD REASON FOR TAKING THESE COMMITTEES MORE SERIOUSLY THAN THE OPPOSITION WILL PORTRAY THEM, PARTICULARLY IN VIEW OF THE PREFETS' EXTENSIVE AUTHORITY AND NOT ALTOGETHER NEGLIGIBLE RESOURCES.

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10. THE UNEMPLOYMENT FIGURES IN THE MONTH AHEAD  
WILL TELL THE STORY.  
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## Message Attributes

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